

STATE PATROL

RETIREMENT SYSTEM



NEBRASKA STATE PATROL

RETIREMENT SYSTEM

Nebraska Statutes
(Section 81-2014 through 81-2034 R.R.S. 1943)

A defined benefit plan administered by the Public Employees' Retirement Board (PERB) for State Patrol Officers.

This booklet is designed to provide an overview of the benefits available to members of the Nebraska State Patrol Retirement System and is not intended to be a substitute for retirement counseling. The provisions of the State Patrol Retirement Laws in all cases supersede the information we have provided in this booklet. If you have questions, write to:

Nebraska State Patrol Retirement System
P.O. Box 94816
Lincoln, Nebraska 68509

or call 402-471-2053, toll-free 1-800-245-5712, or visit us at the Nebraska State Office Building, 301 Centennial Mall South, in downtown Lincoln.

Revised February 1996

TABLE OF CONTENTS

MEMBERSHIP	1
CONTRIBUTIONS	1
INTEREST	1
SERVICE CREDIT	2
Military Service	2
Vesting Credit	2
PURCHASE OF SERVICE	3
VERIFICATION OF SERVICE AND SALARY	3
BENEFICIARY DESIGNATION	4
STATEMENT OF ACCOUNT	4
RETIREMENT	5
Before You Retire	5
RETIREMENT ELIGIBILITY	6
Normal	6
Early	6
Deferred	6
Mandatory	6
Limitation	6
Federal Law	6
SAMPLE BENEFIT CALCULATION	7
DISABILITY RETIREMENT	8
DEATH BENEFITS	9
Before Retirement	9
After Retirement	10
COURT DECISION	10
LEAVING SERVICE BEFORE RETIREMENT	11
Deferral	11
Withdrawal	12
TAXATION	13
When Receiving a Retirement Benefit	13
When Receiving a Refund of Your Account	14
Income Tax Withholding	14
REEMPLOYMENT	15
PRERETIREMENT PLANNING PROGRAM	15
DEFERRED COMPENSATION PLAN	16
SOCIAL SECURITY BENEFITS	16
DIRECT DEPOSIT	17
RELEASE OF INFORMATION	17
APPEALS PROCESS	18
ADMINISTRATION OF THE RETIREMENT FUND	18

MEMBERSHIP

Every sworn officer of the Nebraska State Patrol who is employed on or after September 7, 1947, shall be a member of this system.

Upon graduation from the training academy, the State Patrol Office will begin retirement deductions from your pay and furnish you a Membership Registration form for your completion.

You will be issued a retirement account number when your first contribution and Membership Registration are received in the Retirement Office.

CONTRIBUTIONS

As a member of the Nebraska State Patrol Retirement System, you will contribute a percentage of your gross salary. Effective July 1, 1995, your retirement contribution rate is 10%. Per law, your contribution rate will increase to 11% on July 1, 1996.

The State of Nebraska contributes an amount equal to your contribution. These contributions are NOT credited to your individual account, but provide funds for the payment of retirement annuities.

INTEREST

Interest is credited on a quarterly basis and is currently 1.47% (6% per annum). The interest rate is determined by the Public Employees' Retirement Board (PERB). If investment earnings exceed expectations, the PERB may, at its discretion, credit additional interest at the end of the fiscal year.

SERVICE CREDIT

Credit is earned for service as a permanent, sworn officer with the Nebraska State Patrol, rounded to the nearest month. Credit is not allowed if you do not make retirement contributions; therefore, you will not earn credit if you take leave without pay or are placed on suspension.

The maximum retirement benefit payable is 75% of your final average monthly salary. Therefore, 25 years is the maximum number of years that will apply toward your retirement benefit calculation (25 years x 3% formula factor = 75%).

If you work MORE THAN 25 years, the extra years will not increase your retirement benefit. However, if during those years your salary increases, the final average monthly salary used to calculate your benefit will increase. (See Retirement Eligibility section.)

Military Service—Credit is allowed for service in the armed forces if you serve during a declared emergency. The law states you must have been a member of the Nebraska State Patrol BEFORE entering the armed forces and return to the State Patrol within six months after an honorable discharge.

Vesting Credit—Beginning September 9, 1995, members may receive credit toward vesting from participation in another Nebraska governmental retirement plan, as defined by Section 414(d) of the Internal Revenue Code.

- 1) *New* members may receive vesting credit for their service in another governmental plan if they apply within 30 days of employment. The application form must be submitted to our office for approval. The service in the other plan must be “full-time” or “part-time” to qualify.
- 2) *Existing* members (those hired prior to September 9, 1995) may receive vesting credit for their service in another governmental plan

if they apply no later than September 9, 1996. The service in the other plan must be “full-time” or “part-time” to qualify.

NOTE: Current members who have participated in the patrol retirement plan for ten or more years are “vested” and will not benefit from this new law. In all cases, credit allowed for vesting under this law will not be used when calculating your benefit at retirement.

You may request an Application for Vesting form from the State Patrol Personnel Office or our office if you wish to apply for vesting credit.

PURCHASE OF SERVICE

Service credit cancelled due to a refund may be reestablished if the refund is repaid. Your cost would include the original amount of the refund plus the interest that would have accrued had you not withdrawn your account.

Repayment may only be made if you return to employment as a State Patrol Officer and repay WITHIN THREE YEARS of your reemployment date. Contributions made to purchase service may be subject to Section 415 contribution limits.

To receive a repayment estimate contact the Retirement Office.

VERIFICATION OF SERVICE AND SALARY

All service as a patrol officer and salary for the last three years of service must be verified before a retirement benefit can be determined. Verification is sent to us by the State Patrol Office upon your termination or retirement.

NOTE: Our office does not have an official record of any unused sick and/or annual leave you may receive payment for when you cease employment. This information is available through the State Patrol Office.

BENEFICIARY DESIGNATION

The **Membership Registration** form you complete when you join the system includes the designation of your spouse and children under age 19, for survivorship benefits. You must update our records annually by filing a **Supplemental Membership Registration** form with our office.

If you have no spouse or children under age 19, you may name other beneficiaries by filing a **Change of Beneficiary** form with us.

Completing the **supplemental** form each year and keeping your beneficiary designation up to date ensures that benefits are paid promptly and properly. (See Death Benefits section for details.)

STATEMENT OF ACCOUNT

Active members will receive an annual statement each August showing the contributions and interest credited to their retirement account. **To insure you receive your annual statement, please remember to advise us, in writing, when your address changes.**

The annual statement DOES NOT include the State’s contributions. You may request an update of your retirement account balance at any time by writing the Retirement Office.

Your account is exempt from attachment (e.g. garnishment of wages) and is unassignable (e.g. as loan collateral). However, the law permits assignment of a portion of your account if a domestic relations order (divorce decree) is approved and determined to be “qualified” by the Public Employees’ Retirement Board (PERB).

RETIREMENT

Before You Retire –

1. Receiving a retirement benefit is not automatic. You must contact the Retirement Office approximately 90 days before your anticipated retirement date.
2. A completed Application for Retirement Annuity may be on file in the Retirement Office no more than 90 days prior to your effective date of retirement. Applications are available through the Retirement Office.
3. The **effective date** of retirement benefits is the first day of the month following: a) the date you qualify for retirement, **OR** b) the date your completed Application for Retirement is received in our office, whichever is later.
4. You must verify your age by filing a certified copy of your Certificate of Birth with the Retirement Office. Photocopies of a birth record are acceptable if a disinterested notary public has certified the copy is a “true copy of the original.”

Plan Ahead – We suggest you attend a preretirement planning seminar at least five years before you plan to retire. The seminars are scheduled for anyone within five years of retirement. A Retirement Office representative will be available to discuss topics relating to retirement as well as your Patrol Retirement Plan. (See Preretirement Planning Program section for details.)

RETIREMENT ELIGIBILITY

Normal – At age 55, with 10 or more years of service, you are eligible to receive retirement benefits for your lifetime using the following formula:
 $3\% \times \text{years of service} = \% \text{ of final average monthly salary}$.

Early – You may retire before age 55, but no sooner than age 50, if you have 10 or more years of service. Your benefit will be calculated using the “normal” formula and reduced by a) 5/9ths of one percent for each month your age precedes age 55, or b) 5/9ths of one percent for each month your years of service precedes 25 years, whichever provides you the greatest benefit.

Deferred – If you cease employment PRIOR to reaching retirement age, and have six or more years of service, you are eligible for a deferred retirement benefit between ages 50 and 55 using a vesting schedule as described on pages 11 and 12. The vesting percent is applied after calculating a normal retirement benefit ($3\% \times \text{years of service} = \% \text{ of final average monthly salary}$).

Mandatory – According to state law, you must retire from the State Patrol at age 60; however, state law is overridden if federal law prohibits its mandatory retirement age. Your benefit is calculated using the normal formula. If, at age 60, you DO NOT have 10 years of service, you will be entitled to a benefit based on the years of service you do have; for example, $3\% \times 5 \text{ years} = 15\% \text{ of final average monthly salary}$.

Limitation – The maximum benefit, by law, is 75% of final average monthly salary. “Final average monthly salary” is defined as the total salary for your last 36 months of patrol service, divided by 36.

Federal Law – Our state laws have conformed with the federal law requiring each plan member who is no longer actively employed as a State Patrol Officer to begin retirement payments no later than 60 days after the end of the year they reach age 70 1/2.

NOTE: There are three important points to remember:

1. If you delay taking your retirement benefits, we will calculate your benefit using the age you are when you apply for benefits, rather than your age when you actually quit work.
2. At the time you apply for benefits your age is calculated to the nearest month.
3. If the State Patrol Retirement laws change, you must work AFTER the new law takes effect in order to qualify for a change under the new law.

SAMPLE BENEFIT CALCULATION

If you retire at age 55 with 20 years of service with the State Patrol, and your final three years of salary are \$30,000 each, your monthly retirement benefit will be calculated as follows:

$$\begin{array}{rclcl} \$ & 30,000 & & & \\ & 30,000 & \underline{\$90,000} & = & \$2,500 \text{ final average} \\ & \underline{30,000} & 36 \text{ months} & & \text{monthly salary} \\ \$ & 90,000 & & & \end{array}$$

$$\$2,500 \times 20 \text{ years} \times 3\%^{**} = \$1,500 \text{ monthly benefit}$$

At age 52, the benefit reduction would be the lesser of the following:

- a) $\$1,500 \times \frac{5}{9}\text{ths of } 1\% \times 36 \text{ months} = \300 reduction
(months your age precedes 55)
OR
- b) $\$1,500 \times \frac{5}{9}\text{ths of } 1\% \times 60 \text{ months} = \500 reduction
(service precedes 25 years)

** from following page

In the previous example your benefit would be \$1,200 (\$1,500 - 300).

The MAXIMUM BENEFIT payment is 75% of final average monthly salary, which you would reach after 25 years of service provided you are at least age 50 when you apply for benefits. However, Section 415 of the Internal Revenue Service Code limits your annual benefit at retirement. A separate brochure has been printed with the details of this limit. Please contact your personnel office or the Retirement Office for a copy.

NOTE: We have not estimated the additional salary you may receive due to payment of unused annual and sick leave. If you were hired before January 4, 1979, this amount will be included in your final salary.

** You must be employed on or after July 10, 1990, to qualify for the 3% formula factor.

DISABILITY RETIREMENT

The retirement laws define disability as “the complete inability of the patrol officer, for reasons of accident or illness, to perform the duties of a patrol officer.”

If you cease employment with the Nebraska State Patrol because of a disability and wish to apply for disability retirement benefits, you must complete an Application for Disability Retirement and be examined by a physician selected by the Retirement Office.

If the PERB approves your application, the effective date of your disability retirement will be the first day of the month following either the receipt of your completed disability application OR the date of your last pay, whichever is later.

The PERB may require a medical examination or other information on an annual basis.

There is no age reduction on disability benefits.

The amount of your disability retirement benefit will be determined as follows:

1. If you have 17 years of service or less, the amount of your disability benefit will be 50% of your regular monthly salary at the date you are disabled.
2. If you have more than 17 years of service, the amount of the disability benefit will be calculated using the following formula:

$$\begin{array}{ccccccc} \text{Years} & & & & \text{Salary at} & & \\ \text{of} & \times & 3\% & \times & \text{date of} & = & \text{**Calculated} \\ \text{Service} & & & & \text{Disablement} & & \text{Benefit} \\ & & & & & & \text{Amount} \end{array}$$

****By law, the calculated benefit amount cannot exceed 75% of the final average monthly salary, which is the maximum benefit for a normal retirement.**

DEATH BENEFITS

Before Retirement – If your death occurs before retirement, benefits will be calculated as if you had retired under disability. (See Disability section for calculation of disability benefit amount.) The following percentages are applied to the death benefit:

- a. Your surviving spouse and dependent children under age 19, in your spouse's care, will receive 100% of your benefit (as calculated for disability retirement) until the youngest dependent child reaches age 19. At that time your spouse's benefit will be reduced to 75% of your benefit for their life or until they remarry. Should your spouse remarry or die before the youngest dependent child reaches age 19, your child's benefit would be reduced to 75% of your benefit until age 19.
- b. If there is no spouse living at the date of your death (either because of

death or divorce), your children under 19 if any, will receive 75% of your benefit until the youngest child attains the age of 19.

If there is more than one child under age 19 at the date of your death, the benefit will be divided equally among your children.

c. If there are no children under age 19 living at the time of your death, your surviving spouse will receive 75% of your benefit for their life or until remarriage.

d. If there is no spouse or children under age 19, a lump sum payment of your contributions and interest will be paid to your designated beneficiary, or your estate if you haven't designated a beneficiary.

Note: If you apply for a refund of your account and die before payment is made to you, the beneficiary designation you have on file would be invalid. The refund you requested would be paid to your estate.

After Retirement – If your death occurs after retirement, your regular benefit continues to your spouse and/or children at the same percentages that apply to death before retirement.

Your surviving spouse is eligible to receive benefits only if married to you at the time you retire. If you do not have a spouse or children under 19, the balance is paid to your beneficiary or estate.

Proof of death is required before payments can be made.

COURT DECISION

As a result of a decision by the Supreme Court in 1982, the calculation of retirement benefits for patrol officers who were hired prior to January 4, 1979, is to include pay for unused annual and sick leave as salary.

The PERB, based on an Attorney General's Opinion, determined that including the pay for unused annual and sick leave in an officer's salary when calculating benefits, inflated those benefits.

The Supreme Court did not disagree; however, the Court said this change could not apply to patrol officers who were hired by the State Patrol **prior to** the PERB's decision (January 4, 1979).

Therefore, any officers who were hired prior to January 4, 1979, will have unused annual and sick leave pay count as salary during the final three years of service. They will make retirement contributions on that pay, and as a result, receive a larger retirement benefit.

Following the Supreme Court decision, a judgment by the District Court required the State Patrol Retirement System to pay the attorney fees from the lawsuit. The judgment also said that reimbursement of the attorney fees was to be made to the System at the rate of (1%) of the increase (difference between the benefit as previously calculated and the new benefit) by each retiree receiving the larger benefit. Therefore, those of you hired prior to January 4, 1979, will have a small amount deducted from your retirement benefit each month to repay the system for the attorney fees.

Anyone hired **after** January 4, 1979, will not have pay for unused annual and sick leave included in their salary for retirement, nor will they make retirement contributions on the additional pay.

LEAVING SERVICE BEFORE RETIREMENT

If you cease employment as a patrol officer before you are eligible to retire, you have the following options:

Deferral

If you have **six or more years of service** you may elect to defer a

retirement benefit until age 50 to 55. If this election is made, you do not have the option of withdrawing your contributions. A deferred benefit is computed as a vested percentage of the retirement benefit.

The vesting percentage is zero percent for the first five years of service; 20% for each completed year of service thereafter; and a maximum of 100% after 10 completed years of service.

In the event of your death during the deferred period, the accumulated value of your contributions at the date of termination, plus regular interest to the date of your death, shall be paid to your beneficiary or estate. No monthly benefit will be provided.

You are entitled to a lump sum payment of your contributions and interest (refund) if you have less than six years of service.

Withdrawal

You may request a withdrawal of your accumulated account (your contributions plus interest) if you cease employment as a patrol officer prior to becoming eligible to retire. (See Retirement Eligibility on page 6.)

If you wish to apply for a refund, you must request an Application for Refund **in writing** from the Retirement Office.

Refunds are issued approximately 60 days after a) your last day of work **or** b) the day your completed application is received in our office, whichever is later.

TAXATION

Your current retirement contributions are not taxed; therefore, your taxable income is reduced by the amount you contribute to retirement.

Contributions made prior to January 1, 1985, were taxed before being deducted from your salary.

When your contributions are returned to you, either in the form of a monthly retirement benefit or in a refund, you will be allowed to recover your contributions prior to January 1, 1985, “tax free.”

You should not take credit on your tax return for retirement contributions made after January 1, 1985. Your tax-sheltered contributions will be reflected on the Form W-2 you receive from the state. If credit is taken, you may be subject to penalty under the Internal Revenue Service regulations.

When Receiving a Retirement Benefit - Your benefit will be taxed based on the “Safe-Harbor” method, issued by the Internal Revenue Service, Notice 88-118 I.R.B. 1988-47, dated November 15, 1988, and implemented by the Patrol Retirement System in June 1989.

Under this method, we calculate the “tax-free” portion of your monthly retirement benefit by dividing your pre-’85 contributions by the fixed number of payments assigned to your age group, for example: 300 payments have been established for anyone age 55 or under. If your pre-’85 contributions totalled \$15,000, your tax free portion would be \$50.00 per month. The remaining portion of your monthly benefit would be “taxable.”

Income tax information will be provided with your initial retirement payment. An IRS Form 1099-R will be sent to you every January for income tax purposes.

When Receiving a Refund of Your Account – An IRS Form 1099-R will be provided to you in January following the year of your refund. The form will show the amount of your retirement contributions and the ordinary income and capital gains. (Contributions after January 1, 1985, will be treated as ordinary income for tax purposes.)

Caution: A refund taken PRIOR to age 50 may result in an additional 10% surcharge or tax penalty by the IRS.

You can AVOID the 10% penalty if one of the following apply:

- a. The taxable portion of your refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date.
- b. Payment is made to an alternate payee under a qualified domestic relations order.
- c. Your payment is used for large medical expenses.

In the event of death or disability the 10% tax penalty will not apply, regardless of your age.

Important: Since the tax laws change frequently, we have made detailed information available on a separate handout.

Withholding – Federal law requires income tax withholding from retirement benefit payments and refund payments. You will be provided information from the Retirement Office on income tax withholding when you apply for a refund or retirement benefit payments.

You may wish to contact the Internal Revenue Service and/or a tax consultant for additional tax information.

REEMPLOYMENT

If you are reemployed with the Nebraska State Patrol, you will maintain your original retirement account number, but you will need to complete a new Membership Registration AND update your beneficiary designation if you do not have a spouse or children under age 19. You should also consider the following:

- a. If you have taken a refund previously, you may repay your refund within **three years** of reemployment and reestablish your prior service. Your repayment, however, may be subject to the contribution limits under Section 415 of the Internal Revenue Code.
- b. If you elect NOT TO REPAY the refund, you would enter the system as if you were a new member. Service credit cancelled due to a refund CANNOT be applied when calculating your monthly retirement benefit unless the refund is repaid.
- c. If you return to State Patrol service and have not taken a refund of your account, the new service credit you acquire will be added to your previous service when determining total service for retirement benefit purposes.

PRERETIREMENT PLANNING PROGRAM

Since 1987 the Retirement Office has been conducting statewide preretirement planning seminars for plan members within five years of retirement, and their spouses.

The one-day seminar is an excellent way to begin planning for an important time in your life. Information is provided on your pension plan, financial planning, social security benefits, medicare and health insurance, healthy lifestyles, social and psychological adjustments to retirement, and estate planning.

Everyone should attend at least one seminar before they retire. If you attend early, you will have time to begin your planning, and, if necessary, make adjustments to your plan while you still have time.

For information on seminars scheduled in your area, contact the Retirement Office, Information Department.

DEFERRED COMPENSATION PLAN

As a state employee you are eligible to participate in the voluntary State Deferred Compensation Plan (DCP).

The plan permits you to “defer” the receipt of a certain amount of your current salary until a later date. The amount you contribute is tax-deferred (not subject to federal and state income tax until it is withdrawn). Your deferral (which can be no less than \$25 per month) is invested at your direction in either a fixed, variable, or combination fixed/variable annuity with the Hartford Variable Annuity Life Insurance Company. The earnings in your DCP account are also tax-deferred.

When you retire, terminate your employment or qualify under the provisions of disability or death, payment will be made to you or your beneficiaries under one of several options available.

Open enrollment is year round. For more information on DCP, contact the Retirement Office.

SOCIAL SECURITY BENEFITS

Since 1947, when the State Patrol Retirement System was established by the Legislature, plan members have not been included in the Social Security system. Consequently, if you work and earn social security

credit through other employment, any social security benefit you receive as a result of the other employment may be reduced because of the pension you receive from the State Patrol Retirement System.

To be eligible for Medicare, if you were hired by the State Patrol prior to July 1986, you must either qualify for social security benefits on your own or through your spouse if they receive social security benefits. Some of our current patrol retirees must purchase Medicare insurance at a considerable premium since they and their spouses did not qualify for social security retirement benefits through other employment.

However, since July of 1986, new officers with the State Patrol are contributing to Medicare and will have Medicare coverage available to them without having to work and earn social security credits.

DIRECT DEPOSIT

When you retire, you may have your monthly retirement benefit sent directly to your financial institution. Direct Deposit Authorization forms may be obtained from the Retirement Office.

RELEASE OF INFORMATION

The Retirement Office will release information on your account only upon your written request or your personal appearance at the Retirement Office. In any legal proceeding an attorney may have access to information about your account with your written authorization, or by Court Order.

APPEALS PROCESS

As a member of the Nebraska State Patrol Retirement System you have the right of review if you disagree with a decision of the PERB. You must request appropriate appeal forms from the Retirement Office within 30 days after you receive notice of the PERB's decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If you wish to further appeal the decision of the PERB, you are entitled to judicial review under sections 84-917 to 84-919 of the Nebraska Statute, R.R.S. 1943.

The time limits prescribed may be extended at the discretion of the PERB.

ADMINISTRATION OF THE RETIREMENT FUND

The Public Employees Retirement Board (PERB) consists of seven members appointed by the Governor for five-year terms. Three members are active participants in the retirement systems administered by the board. One is a retired participant. Three are at-large members and are not employees of the State of Nebraska or any of its political subdivisions.

The PERB is responsible for the administration of the State Patrol, State Judges', School, State and County Employees' Retirement Systems and the Deferred Compensation Plan (Section 84-1501).

Board meetings are normally scheduled on the third Monday of each month.

A **Director** is hired by the PERB to administer the various systems.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

The **State Attorney General** is the legal advisor to the Board.

Patrol retirement funds are invested by the **Nebraska Investment Council**.

The Retirement System each year issues a financial statement, available to members upon request, showing the condition of the fund and the various accounts.

Consulting actuaries, employed by the PERB, conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB, and evaluate the system's assets and liabilities each year. Copies of the annual actuarial report are available upon request.

ADDRESS CHANGES

Please keep the Retirement Office advised of any address changes. Only a written change, signed by you, will be accepted.